

FISCAL NOTE

HB 3191 - SB 3583

February 4, 2008

SUMMARY OF BILL: Requires professional athletes and professional entertainers, who earn more than \$50,000 per year, to pay the occupational privilege tax. Authorizes the Commissioner of Revenue to promulgate rules and regulations. Creates the Juvenile Court-Related Programs Fund for which such tax revenues are to be deposited. Requires the State Treasurer to allocate such funds to the administrative office of the courts to fund programs and activities that benefit juvenile courts.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$1,019,600 / Juvenile Court-Related Programs Fund

Increase State Expenditures -

\$80,000 / One-Time / Department of Revenue

\$81,700 / Recurring / Department of Revenue

\$1,019,600 / Recurring / Juvenile Court-Related Programs Fund

Increase Local Gov't. Revenue - \$1,019,600

Assumptions:

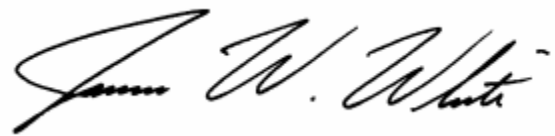
- The occupational privilege tax is currently \$400 per year.
- Athletes and entertainers who compete or perform within the state boundaries are assumed to be liable for the proposed privilege tax.
- Athletes who play for the Tennessee Titans (NFL), Memphis Grizzlies (NBA), Nashville Predators (NHL), and athletes playing for other teams which these Tennessee teams compete are assumed to earn at least \$50,000 per year and to be liable for the proposed privilege tax.
- Race drivers who compete within the state for NASCAR, the NASCAR Busch Grand National Division, and the Indy Racing League are assumed to earn at least \$50,000 per year and to be liable for such tax.
- Athletes who play for the Nashville Sounds (AAA baseball), the Memphis Redbirds (AAA baseball), the Tennessee Smokies (AA baseball), the West Tennessee Diamond Jaxx (AA baseball), the Chattanooga Lookouts (AA

baseball), the Elizabethton Twins (Appalachian League), the Johnson City Cardinals (Appalachian League), the Kingsport Mets (Appalachian League), the Chattanooga Locomotion (National Women's Football Association or NWFA), the Knoxville Summitt (NWFA), the Nashville Dream (NWFA), the Kingsport Ice Bears (ACHL Hockey), or any other unnamed professional team, and the athletes playing for other teams which these Tennessee teams compete are assumed to earn less than \$50,000 per year and are not liable for the proposed privilege tax.

- The number of athletes either visiting the state to compete or who play for Tennessee teams and who earn at least \$50,000 per year is estimated to be 1,600 per year.
- According to the Department of Revenue (DOR), approximately 2,210 professional entertainers live and work in Tennessee. However, it is estimated that 10% of these (or 221) earn at least \$50,000 per year.
- According to DOR, there are an additional 5,200 professional entertainers who visit Tennessee each year for performing. However, it is estimated that only 14% of these (or 728) earn at least \$50,000 per year.
- The total number of individuals that would be required to pay the occupational privilege tax is estimated to average 2,549 (1,600 athletes + 949 entertainers = 2,549) per year.
- A 100% of collection rate.
- The increase of privilege tax revenue earmarked to fund programs and activities that benefit juvenile courts is estimated to exceed \$1,019,600 (2,549 individuals x \$400 tax = \$1,019,600) per year.
- One-time state expenditures for computer related expenditures estimated to be \$80,000.
- Two additional Taxpayer Services Representatives for the Department of Revenue estimated to be \$81,700 per year.
- According to DOR, the individuals who could be taxed under this bill, may have to become licensed within Commerce and Insurance prior to being liable for such tax.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc